

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1699 – SB 1826

March 19, 2014

SUMMARY OF ORIGINAL BILL: Requires motor vehicle registrations issued to businesses that register 15,000 or more vehicles annually and are engaged in the rental of motor vehicles, trucks and trailers, as defined by this bill, for periods of 31 days or less, to be valid for 18 months, rather than 12 months, and to expire on the last day of the last month of the registration period. Requires the Commissioner of the Department of Revenue to establish a system of registration renewals at alternate intervals that will allow for the distribution of the registration workload as uniformly as is practicable throughout the registration period.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$88,750/FY14-15/General Fund
\$5,000/FY14-15/Police Pay Supplement Fund
\$5,000/FY14-15/Computerized Title and Registration System
\$8,750/FY14-15/Reflecting Plates

\$44,375/FY15-16/General Fund
\$2,500/FY15-16/Police Pay Supplement Fund
\$2,500/FY15-16/Computerized Title and Registration System
\$4,375/FY15-16/Reflecting Plates

Decrease State Revenue –

\$88,750/FY16-17 and Subsequent Years/General Fund
\$5,000/FY16-17 and Subsequent Years/Police Pay Supplement Fund
\$5,000/FY16-17 and Subsequent Years/
Computerized Title and Registration System
\$8,750/FY16-17 and Subsequent Years/Reflecting Plates

SUMMARY OF AMENDMENT (014207): Authorizes, rather than requires, the Department to issue motor vehicle registrations to businesses that register 15,000 or more vehicles annually and are engaged in the rental of motor vehicles, trucks and trailers, as defined by this bill, for periods of 31 days or less, to be valid for 18 months, rather than 12 months, and to expire on the last day of the last month of the registration period. Authorizes, rather than requires, the Commissioner of the Department of Revenue to establish a system of registration renewals at alternate intervals that will allow for the distribution of the registration workload as uniformly as is practicable throughout the registration period.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent that the Department of Revenue continues issuing motor vehicle registrations to qualified businesses to be valid for 12 months, this bill as amended will not result in a significant fiscal impact to the state.

To the extent that the Department, pursuant to the authorization in this bill as amended, starts issuing motor vehicle registration to be valid for 18 months, there would be a significant fiscal impact to the state. Such impact, assuming it would apply to any registration or renewal made on or after January 1, 2015, is estimated to be as follows:

Increase State Revenue –

\$88,750/FY14-15/General Fund

\$5,000/FY14-15/Police Pay Supplement Fund

\$5,000/FY14-15/Computerized Title and Registration System

\$8,750/FY14-15/Reflecting Plates

\$44,375/FY15-16/General Fund

\$2,500/FY15-16/Police Pay Supplement Fund

\$2,500/FY15-16/Computerized Title and Registration System

\$4,375/FY15-16/Reflecting Plates

Decrease State Revenue –

\$88,750/FY16-17 and Subsequent Years/General Fund

\$5,000/FY16-17 and Subsequent Years/Police Pay Supplement Fund

\$5,000/FY16-17 and Subsequent Years/

Computerized Title and Registration System

\$8,750/FY16-17 and Subsequent Years/Reflecting Plates

Assumptions for the bill as amended:

- To the extent that the Department continues issuing motor vehicle registrations to qualified businesses to be valid for 12 months, this bill as amended will not result in a significant fiscal impact to the state.
- To the extent that the Department, pursuant to the authorization in this bill as amended, starts issuing motor vehicle registrations to qualified businesses to be valid for 18 months, there would be a significant fiscal impact to the state. The following analysis, assuming any registration or renewal made on or after January 1, 2015 would be affected, is conducted to determine such impact.
- It is assumed that one business will meet the outlined criteria in this bill and will register 15,000 vehicles. It is further assumed that the entity's registrations are evenly distributed across a calendar year.

- The standard registration fee for motor vehicles is \$21.50. It is assumed that the cost of an 18-month registration would be a prorated amount of \$32.25 ($\21.50×1.5).
- It is assumed that the business sells the vehicles after 18 months. Currently, the business would need to renew the registration at the end of 12 months. Thus, the vehicles would be registered for two 12-month periods and would pay \$43.00 in registration fees for each vehicle ($\$21.50 \times 2$).
- Under the assumption that the business sells vehicles after 18 months, in order to maintain the required 15,000 registrations, the business would need to register 10,000 new vehicles annually. In addition, under current law, the business would also need to renew enough registrations to maintain the required 15,000 registrations. Since the renewed vehicles are kept for only six months, the business would need to renew 10,000 vehicles annually to maintain the required 15,000 registrations.
- Therefore, under current law, the business would pay registration fees for 20,000 vehicles (10,000 new registrations and 10,000 renewals) over a twelve-month period, resulting in total registration fees of \$430,000 annually ($\$21.50 \times 20,000$).
- Once the transition from the 12-month to the 18-month registration period has been completed, presumably the business will only register new vehicles and will not have any renewals. Therefore, under this bill, the business would register 10,000 new vehicles annually. This would result in total registration fees of \$322,500 ($\$32.25 \times 10,000$), representing a recurring decrease in state collections of \$107,500 ($\$430,000 - \$322,500$).
- According to the Department, the transition period will last 12 months, and due to the effective date of the bill of January 1, 2015, it will be split between FY14-15 and FY15-16.
- In the first half of FY14-15, the Department estimates that the business will register 5,000 vehicles at \$21.50 and will renew registrations for 5,000 vehicles at \$21.50. In the second half of FY14-15, the same number of vehicles will be registered and renewed at \$32.25. The resulting increase in state revenue in FY14-15 is estimated to be \$107,500 [$(10,000 \times \$21.50) + (10,000 \times \$32.25) - \$430,000$].
- In the first half of FY15-16, the Department estimates that the business will register an additional 5,000 new vehicles at \$32.50 and renew registrations for 5,000 vehicles at \$32.50. In the second half of FY15-16, the business will register 5,000 new vehicles at \$32.50 and will not make any renewals. The resulting increase in state revenue in FY15-16 is estimated to be \$53,750 [$(15,000 \times \$32.50) - \$430,000$].
- In FY16-17 and subsequent years, the business will register 10,000 new vehicles at \$32.25 and there will be no renewals. The recurring decrease in state revenue is estimated to be \$107,500 [$\$430,000 - (10,000 \times \$32.25)$].
- According to the Department, this bill will impact the General Fund (82.558 percent), Police Pay Supplement Fund (4.651 percent), funding for computerized titling and registration system (4.651 percent), and funding for reflectorization of the plates (8.14 percent).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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